



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony Insurance and Real Estate Committee February 23, 2017

**House Bill No. 7023 An Act Authorizing Short-Term Care Group Insurance Policies, Permitting Health Care Centers to Charge Coinsurance, Amending the Insurers Rehabilitation and Liquidation Act and Requiring that Insurers Issue Notices to Insureds Regarding Personal and Commercial Risk Policies.**

Committee Chairs, Co-Chairs, Ranking Member, and Members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony **House Bill No. 7023 An Act Authorizing Short-Term Care Group Insurance Policies, Permitting Health Care Centers to Charge Coinsurance, Amending the Insurers Rehabilitation and Liquidation Act and Requiring that Insurers Issue Notices to Insureds Regarding Personal and Commercial Risk Policies.** The Department thanks the Committee for raising this bill and hearing it on the Department's behalf.

Strong consumer protections are at the heart of this bill. Keeping with the Insurance Department's mission of consumer protection, the Department has crafted a measure that:

- Provides more consumer choice
- Provides more health care coverage options
- Provides ample notification of changes to a homeowners policy
- Ensures sufficient regulatory protection if an insurance company becomes insolvent

#### **Section 1: Short Term Care for Group Policies:**

This bill would allow employers to offer to their workers short-term care health insurance, a product that was made available to the individual market in Connecticut last year through Public Act 16-63. Short-term care insurance provides certain health benefits for 300 or fewer days for treatment of an injury or illness that requires medical care in settings other than an acute care hospital. Although not a substitute for long term care, short term care policies can provide some level of nursing home or home health care for a limited period. Since the benefit period is limited, the cost is significantly less than a standard long term care policy.

#### **Section 2: HMO Coinsurance:**

This bill would provide consumers with more choices of health care coverage by allowing healthcare centers, also known as HMOs, to use coinsurance when designing plans. Historically, HMOs were only allowed to use copayments in Connecticut – a policy where Connecticut is not in line with most other states. A co-pay is the dollar amount a policyholder will pay for a particular service. Co-insurance is the percentage of the cost of the service that is shared by the insurer and policyholders. Allowing HMOs to use coinsurance will give insurance companies more flexibility in plan design and ultimately would result in more coverage options in the marketplace for consumers.

#### **Section 3: Codifying Department Bulleting PC-66:**

The Department would have greater regulatory authority to ensure that homeowners are given ample notification from their insurance company when the insurer intends to make any changes to homeowner's policy. This includes any changes in deductibles, policy limits and conditions of coverage. A long-standing Department Bulletin, Bulletin

**About the Connecticut Insurance Department:** The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund.



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PC-66, advises carriers that they are expected to notify policyholders of upcoming changes to their insurance policy. Advance notice allows consumers time to shop around and evaluate plans. Section 3 of this bill would codify the requirements of the Bulletin into law and gives the Department stronger enforcement recourse if carriers do not comply.

### **Sections 4-6: The Insurers Rehabilitation and Liquidation Act:**

A financially troubled insurance company under the administrative supervision of the Insurance Commissioner would have the potential to improve its financial condition under the change proposed in **Section 4** of this bill. This bill seeks to (i) amend the receivership statute on voidable transfers, (ii) repeal an obsolete statute and (iii) make a technical change in another statute that references the statute to be repealed.

Connecticut's "Insurers Liquidation and Rehabilitation Act" gives the Insurance Commissioner statutory authority to supervise the operations of financially troubled domestic insurer pre-receivership. With approval of the Commissioner, an insurer under supervision may enter into an agreement, known as a reinsurance commutation, with a reinsurer that releases both parties of all obligations. If an insurer eventually goes into receivership, Conn. Gen. Stat. § 38a-930 gives the Commissioner as the court appointed liquidator of the insurer, the ability to void the transfer of money paid by the insurer to the reinsurer if the transfer was made within one year of the date of liquidation. This legislation will protect reinsurance commutations made within one year of liquidation when the agreement was approved by the Commissioner because prior to liquidation the insurer was under the administrative supervision of the Commissioner. This protection helps the financially troubled insurer resolve its liabilities and also allows the reinsurer to obtain the benefit of the negotiated agreement that was approved by the Commissioner in the event the insurer subsequently goes into liquidation proceedings.

**Section 5** is a technical amendment to Conn. Gen. Stat. § 38a-140(b), concerning impairment of the financial condition of a domestic insurer due to a violation of the Insurance Holding Company Act. This amendment replaces the reference to Conn. Gen. Stat. § 38a-18, which is repealed in **Section 6**, with a general reference to the chapter governing insurance receivership proceedings. Conn. Gen. Stat. § 38a-18 concerns grounds for the Insurance Commissioner to make application to the Superior Court for an order placing any domestic insurance company into receivership. This statute, formerly Conn. Gen. Stat. § 38-9 and deriving from 1902 legislation, should have been repealed in 1979 when Public Act 79-383 enacted the Insurers Rehabilitation and Liquidation Act, now codified as Chapter 704c, and all of the then existing insurance receivership statutes other than this section were repealed by P.A. 79-383 § 60. The provisions of Chapter 704c provide a comprehensive scheme for the rehabilitation and liquidation of insurance companies. Conn. Gen. Stat. § 38a-18 serves no purpose and should be repealed.

The three sections of this bill are identical to last year's House Bill No. 5232, File Copy No. 174, sections through 4. That bill won unanimous approval in both the Insurance and Real Estate Committee and in the House but died on the Senate Calendar.

The Department thanks the members of the Insurance and Real Estate Committee for the opportunity to submit testimony on H.B. 7023.

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